



THRIFT SAVINGS PLAN FINANCIAL HARDSHIP IN-SERVICE WITHDRAWAL PACKAGE

GENERAL INFORMATION

Before requesting a financial hardship in-service withdrawal, read the information and instructions in this package. You should also read the booklet *TSP In-Service Withdrawals*; it provides more detailed information about withdrawing money from your TSP account, including tax consequences, rules affecting spouses' rights, and the termination of your contributions. It also explains the information and documentation you must provide to support your request for a financial hardship in-service withdrawal.

Note: If you are in pay status and are eligible for a TSP loan, you may want to consider taking a loan rather than withdrawing funds from your TSP account.

QUALIFYING FOR A FINANCIAL HARDSHIP IN-SERVICE WITHDRAWAL

To qualify for a financial hardship withdrawal from your TSP account:

- You must be a current Federal employee. (This includes employees who are in approved nonpay status.)
- Your TSP account must contain at least \$1,000 of your own contributions and earnings on those contributions. (You cannot request to withdraw less than \$1,000.)
- You must demonstrate financial hardship for the amount you request.
- You cannot have received a financial hardship in-service withdrawal within 6 months of the time your current request is processed.
- You cannot have a pending application for an age-based in-service withdrawal or a TSP loan.

The determination of financial hardship is based on your having regular monthly expenses in excess of net income (i.e., negative cash flow), and/or certain **unpaid and unreimbursable** extraordinary expenses. Extraordinary expenses are limited to four types: household improvements needed for medical care, personal casualty loss, legal expenses for separation/divorce, and medical expenses. Note: You are not eligible for a financial hardship withdrawal if you are in Chapter 13 bankruptcy because the bankruptcy court has shielded you against a negative cash flow position.

When the TSP receives your application, it will determine whether you qualify for a financial hardship withdrawal and the amount for which you qualify. If the TSP determines that you qualify for a withdrawal of at least \$1,000 — but for an amount that is less than you requested — the TSP will send you the amount for which you qualify, **even if it is substantially less** than the amount you requested. If you do not qualify, the TSP will notify you by mail.

TERMINATING YOUR CONTRIBUTIONS

When your financial hardship in-service withdrawal is made, the TSP will instruct your agency to terminate your employee contributions (if any) for 6 months. If you are a FERS employee who is eligible to receive agency contributions, your matching contributions will also stop; however, as long as you are in pay status, you will continue to

receive your Agency Automatic (1%) Contributions. At the end of this 6-month period, you can ask your agency to resume your contributions — they will **not** resume automatically.

TAX WITHHOLDING ON YOUR PAYMENT

The Internal Revenue Service (IRS) considers financial hardship withdrawals to be "non-periodic payments" for Federal income tax purposes. The TSP will withhold 10% unless you waive tax withholding by submitting IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments, with this application. Form W-4P is available through the TSP Web site (www.tsp.gov), from the TSP Service Office, or from the IRS. (See the attached tax notice "Important Tax Information About TSP In-Service Withdrawal Payments.")

WHERE YOUR PAYMENT WILL BE SENT

Payment and correspondence related to your in-service withdrawal will be mailed to the address in your TSP account record. If your TSP account address is not correct, contact your agency personnel office immediately to ensure that your agency provides your correct address to the TSP. The TSP cannot use the address that you provide on your in-service withdrawal request to change your TSP account address or to mail your check.

WHAT YOU WILL NEED TO APPLY

Form TSP-76, Financial Hardship In-Service Withdrawal Request	Complete this application.
Financial Hardship Worksheet	Use the Worksheet to help determine the amount for which you qualify.
Important Tax Information About TSP In-Service Withdrawal Payments	Read this notice to understand the tax consequences of your withdrawal.

You must include with your Form TSP-76:

- A copy of your **current** earnings and leave statement (even if you are in nonpay status).
- Supporting documentation if your request for a withdrawal includes extraordinary expenses.

Make a copy of the completed documents for your records. Mail the originals to: **TSP Service Office, National Finance Center, P.O. Box 61500, New Orleans, LA 70161-1500.**

TSP-76 Information and Instructions

I. INFORMATION ABOUT YOU

1 – 8: Payment and correspondence related to your in-service withdrawal will be mailed to the address in your TSP account record. If you have a new address, contact your agency personnel or payroll office **immediately** to ensure that your correct address is provided to the TSP.

9: Attach a copy of your **earnings and leave statement** and check this box. The statement must be for your **most recent pay date** at the time you send your request, and the pay date can be no more than 45 days before the date the TSP receives your Form TSP-76. You must attach your earnings and leave statement even if you are in nonpay status; the statement is required to confirm that you received no pay for this period.

II. WITHDRAWAL REQUEST

10: You may withdraw only your own contributions and earnings. You may not request less than \$1,000. The maximum amount that you can withdraw depends on the amount of your documented financial hardship and the amount that is available in your account for a withdrawal.

Use the Financial Hardship Worksheet to help you calculate the amount of your financial hardship based on the information you provide in Sections V and VI of the application (Financial Statement and Extraordinary Expenses). Complete the Worksheet before you enter an amount in **Item 10** so that you do not request more than you have documented.

Do not submit the Worksheet with your application. The TSP will calculate the actual amount for which you qualify based on your Financial Statement, your current earnings and leave statement, your supporting documentation for any extraordinary expenses, and the value of your TSP employee contributions and attributable earnings.

If you qualify for at least \$1,000 but less than the full amount that you requested, the TSP will send you the amount for which you qualify.

III. and IV. SPOUSAL INFORMATION AND CONSENT

Spouses' rights apply to all in-service withdrawal requests. If you are a married FERS employee, this means that your spouse must consent to your in-service withdrawal. If you are a married CSRS employee, the TSP must notify your spouse before your in-service withdrawal can be made.

11 – 12: (FERS and CSRS participants) — You must complete **Item 11**, and, if married, you must provide your spouse's name in **Item 12**. Otherwise, the TSP will not be able to process your request.

13 – 17: (Married CSRS participants) — Provide your spouse's address in **Items 13 – 16**. If you do

not know the whereabouts of your spouse, check **Item 17** and submit Form TSP-16, Exception to Spousal Requirements, with the required documentation.

18 – 20: (Married FERS participants) — Your spouse must give written consent to the withdrawal by signing and dating **Items 18 and 19**. If you cannot obtain your spouse's signature because his or her whereabouts are unknown or you believe that exceptional circumstances apply, check **Item 20** and submit Form TSP-16, Exception to Spousal Requirements, with the required documentation.



THRIFT SAVINGS PLAN

FINANCIAL HARDSHIP IN-SERVICE WITHDRAWAL REQUEST

TSP-76

Read the instructions carefully. In order to be eligible for a financial hardship withdrawal, you must be an active Federal employee, you must have at least \$1,000 of your own contributions and attributable earnings in your account, and you must be able to demonstrate the need for a financial hardship withdrawal. You must also provide a current earnings and leave statement and supporting documentation for any extraordinary expenses you list on this application.

I. INFORMATION ABOUT YOU

1. Name _____
Last First Middle
2. _____ - _____ - _____ 3. _____ / _____ / _____ 4. (_____) _____ - _____
Social Security Number Date of Birth (mm/dd/yyyy) Daytime Phone (Area Code and Number)
5. Address _____
Street Address or Box Number
6. City _____ 7. _____ 8. _____
State/Country Zip Code
9. ☐ Check here to indicate that you have attached a copy of your current earnings and leave statement.

II. WITHDRAWAL REQUEST

Enter the **dollar amount** of your request **after** you have completed Section V (Financial Statement), Section VI (Extraordinary Expenses), and the Worksheet, which will help you calculate the amount of financial hardship for which you qualify. If you are not eligible for the full amount you request, the TSP will disburse the maximum amount for which you qualify, even if it is substantially less than your request.

10. Amount of withdrawal you are requesting: \$ _____
(Must be \$1,000 or more)

III. SPOUSAL INFORMATION

11. Are you married (even if separated from your spouse)?
☐ Yes (Complete this section.) ☐ No (Skip to Section V.)
12. Spouse's Name _____
Last First Middle
13. Spouse's Address _____
Street Address or Box Number (If same as yours, write "SAME.")
14. City _____ 15. _____ 16. _____
State/Country Zip Code
17. ☐ Check here if you do not know your spouse's address. (See instructions.)

IV. SPOUSE'S CONSENT

Married FERS
participants only

If you are covered by FERS and you are married, your spouse must give consent before you can make a financial hardship in-service withdrawal.

Spouse's Consent: By signing below, I give my consent to this financial hardship in-service withdrawal from my spouse's Thrift Savings Plan account.

18. _____ 19. _____
Spouse's Signature Date Signed (mm/dd/yyyy)
20. ☐ Check here if you cannot obtain your spouse's signature. (See instructions.)

**V.
FINANCIAL
STATEMENT**

Complete each item, rounding to the nearest dollar. If your income, deductions, or expenses for a particular item are 0, enter 0.

This form requests information about you, your spouse, and your dependents. Dependents are defined as individuals whom you can claim as dependents for Federal income tax purposes at the time you apply for the hardship withdrawal.

If you are married and not separated from your spouse, report income for both yourself and your spouse. If information cannot be assigned to you or your spouse individually, enter the total only. If you are separated from your spouse, report only your own income and your own household expenses.

22: Family Size. Family size includes you, your spouse, and your dependents. If you are separated or divorced, it includes you and your dependents **only if** your dependents are living with you. If your dependents are living elsewhere and you contribute to their support, do not include them in family size but include in **Item 41** the amount of support you pay. If children you cannot claim as dependents are living with you and you receive support for them, include them in family size and enter the amount of support you receive in **Item 32**.

MONTHLY INCOME

If you are in nonpay status, enter 0 in your column for **Items 23 – 31**. (The earnings and leave statement you are required to submit for your most recent pay date must confirm that you received no pay for that pay period.) If your spouse is not employed or is in nonpay status at the time you are completing the application, enter 0 in your spouse's column.

If in pay status, provide **monthly** figures. Calculate the monthly amount as described below:

23: Monthly gross salary or wages.

- **If you are paid biweekly (26 times a year)**, multiply the biweekly amount from your current earnings and leave statement by 26 and divide by 12.
- **If you are paid weekly (52 times a year)**, multiply the weekly amount from your current earnings and leave statement by 52 and divide by 12.
- **If you are paid semimonthly (24 times a year)**, add the amounts from your last two earnings and leave statements.

- **If you are paid monthly (12 times a year)**, use the amount shown on your current earnings and leave statement.

Deductions from Income

Calculate monthly deductions as explained in the instructions for **Item 23**.

24 – 26: Monthly Federal, state, and local income tax withholding. Enter the amount of monthly tax withholding for each.

27: Monthly OASDI (Social Security)/Medicare. If you or your spouse have more than one job, include the monthly OASDI (Social Security)/Medicare deduction associated with all wages and salary.

28: Monthly Federal retirement deduction (FERS/CSRS). Enter the monthly amount withheld for the FERS Basic Annuity or for the CSRS annuity.

29: Monthly TSP contributions (spouse only). Enter only your spouse's monthly contributions to the TSP. Do not include your own.

30: Other monthly retirement plan deductions. Enter monthly deductions for retirement plans of any non-Federal jobs. Do not include contributions to an IRA.

31: Total deductions. Add all the entries in the Total column for **Items 24 – 30**.

Additions to Income

Calculate monthly additions as explained in the instructions for **Item 23**.

32: Monthly alimony, maintenance, and/or child support. Enter the amount received each month. If payments are irregular, enter the average of the last 3 months.

33: Other monthly income. Enter other income, including royalties and net income from real estate investments and a family business (i.e., monthly cash income minus monthly cash outlays). If net income is negative, enter a minus sign and subtract it when you total the additions to your income in **Item 34**.

34: Total additions to income. Add **Item 32** and **Item 33**.

35: TOTAL NET MONTHLY INCOME. For each column, subtract the amount of **Item 31** from the amount of **Item 23** and add **Item 34**.

Name:

Social Security Number:

**V.
FINANCIAL
STATEMENT**

Please read the instructions carefully before completing this section.

21. a. Are you paid biweekly (every 2 weeks, 26 times a year)?

☐ Yes

☐ No

b. If no, check the box that indicates when you are paid.

☐ Semimonthly (twice a month, 24 times a year)

☐ Monthly (12 times a year)

☐ Weekly (52 times a year)

22. FAMILY SIZE as defined in the instructions

MONTHLY INCOME

23. Monthly gross salary or wages

You	Your Spouse	Total
_____	_____	_____

Deductions from Income

24. Monthly Federal income tax withholding

_____ + _____ = _____ .00

25. Monthly state income tax withholding

_____ + _____ = _____ .00

26. Monthly local income tax withholding

_____ + _____ = _____ .00

27. Monthly OASDI (Social Security)/Medicare

_____ + _____ = _____ .00

28. Monthly Federal retirement deduction (FERS/CSRS)

_____ + _____ = _____ .00

29. Monthly TSP contributions (spouse only)

_____ + _____ = _____ .00

30. Other monthly retirement plan deductions

_____ + _____ = _____ .00

31. Total deductions from income (Add Items 24 – 30)

_____ + _____ = _____ .00

Additions to Income

32. Monthly alimony, maintenance, and/or child support

_____ + _____ = _____ .00

33. Other monthly income as defined in the instructions

_____ + _____ = _____ .00

34. Total additions to income (Add Items 32 – 33)

_____ + _____ = _____ .00

35. TOTAL NET MONTHLY INCOME

(Item 23 minus Item 31 plus Item 34)

_____ + _____ = _____ .00

Detach here

V. FINANCIAL STATEMENT (Continued)

MONTHLY SCHEDULED HOUSEHOLD EXPENSES

36: Monthly household rent/mortgage payment.

Enter your monthly rent or mortgage payment for your primary residence. If your payment includes real estate taxes and homeowner's insurance, include them here and enter 0 in **Items 37 and 38**. If additional mortgages are outstanding on your primary residence, also include those payments. **Do not include payments for TSP residential loans.**

37: Monthly household real estate tax. If you pay your real estate tax separately from your mortgage payment, enter an amount representing one month's real estate tax for your primary residence.

38: Monthly household homeowner's insurance. If paid separately from your rent or mortgage, enter the monthly insurance amount for your primary residence.

39: Monthly household utilities. Enter your total monthly payments for utilities (e.g., gas, electric, phone, water). Do not list items included in your rent. (If your monthly utility bills vary substantially, use your average monthly bills over 12 months.)

40: Monthly household dependent care. Enter the amount you pay each month for care for a dependent child, or for your spouse or another dependent adult who cannot be left alone while other adults are at work. Include household help needed due to illness or injury.

41: Monthly expense for alimony, maintenance, and/or child support. Enter the amount you pay each month.

42: Monthly installment loan payments. Enter name of lender, outstanding balance, and monthly payment amount for loans with set monthly payments **only** (e.g., automobile loans, unsecured bank loans, or schedule of payments for back taxes owed). **Do not include payments for TSP loans.** Do not include past due payments or **payments for credit card purchases, charge accounts, or interest charges on them.** (We take credit card payments and other recurring expenses into account as a function of your monthly income and family size.) Do not include payments for the monthly scheduled household expenses listed in **Items 36 – 41**.

43: TOTAL MONTHLY SCHEDULED HOUSEHOLD EXPENSES. Add all the entries in **Items 36 – 42**.

VI. EXTRAORDINARY EXPENSES

Extraordinary expenses must be **unpaid and unreimbursable** (by insurance or otherwise). Only the four types of expenses described below are allowed. You **must** submit supporting documentation showing that you have incurred (but not paid) the specific expense, or that you will incur it within the next 6 months. For incurred expenses, provide a copy of a bill on the service provider's letterhead, itemizing the expenses. For expenses that will be incurred, provide an itemized cost estimate on the service provider's letterhead and a statement signed by you indicating the amount of those expenses to be incurred within the next 6 months. Supporting documentation must be dated no more than 45 days **before** the date the TSP receives your Form TSP-76.

You must read the booklet *TSP In-Service Withdrawals* for documentation requirements and examples.

Failure to submit adequate supporting documentation may result in a withdrawal of a smaller amount than you requested.

44: Costs of household improvements needed for medical care — Limited to costs that are eligible for deduction on your Federal income tax return, but without the IRS limits on income or fair market value. Examples are changes to your living quarters or installation of special equipment required because of illness or injury. The improvements may be for you,

your spouse, or your dependent (i.e., an individual you can claim as a dependent for Federal income tax purposes at this time).

45: Expenses due to personal casualty loss — Limited to costs of repair and replacement associated with losses that are eligible for deduction on your Federal income tax return, but without the IRS limits on income or fair market value (e.g., sudden property loss resulting from damage or destruction by fire, storm, or other casualty, or due to theft).

46: Legal costs associated with your separation or divorce — Limited to attorney fees and court costs, **not** alimony or child support payments or settlements you must pay your former spouse.

47: Medical expenses — May be incurred by you, your spouse, or your dependents (i.e., individuals you can claim as dependents for Federal income tax purposes at the time you request the withdrawal). Generally, includes expenses that are eligible for deduction on your Federal income tax return, but without the IRS income limits. This includes physician and hospital services and prescription drugs; it does **not** include medical or dental insurance premiums or costs covered under **Item 44**.

48: TOTAL EXTRAORDINARY EXPENSES. Add **Items 44 – 47**.

VII. YOUR ACKNOWLEDGE- MENT AND CERTIFICATION

Read the acknowledgement and certification carefully. By signing this section you are:

- Acknowledging that your employee contributions, if any (and any matching contributions, if you are a FERS employee who is eligible for agency contributions), will be **terminated for 6 months** after your withdrawal has been paid.

- Certifying you are not in Chapter 13 bankruptcy.
- Permitting the TSP to contact individuals or institutions shown on this form or in supporting documentation to confirm amounts listed.
- Waiving the 30-day tax notification period that the TSP is required to provide you so that you can consider the tax information.

Name:

Social Security Number:

**V.
FINANCIAL
STATEMENT
(Continued)**

MONTHLY SCHEDULED HOUSEHOLD EXPENSES

- | | | |
|---|-------|-----|
| 36. Monthly household rent or mortgage payment | _____ | .00 |
| 37. Monthly household real estate tax <i>(if paid separately from mortgage)</i> | _____ | .00 |
| 38. Monthly household homeowner's insurance <i>(if paid separately from mortgage)</i> | _____ | .00 |
| 39. Monthly household utilities <i>(if paid separately from rent)</i> | _____ | .00 |
| 40. Monthly household dependent care <i>(including household help due to illness or injury)</i> | _____ | .00 |
| 41. Monthly expense for alimony, maintenance, and/or child support | _____ | .00 |
| 42. Monthly installment loan payments <i>(not including credit card payments)</i> | _____ | .00 |

Lender's Name	Outstanding Balance	Monthly Payment
_____	_____	.00
_____	_____	.00
_____	_____	.00
_____	_____	.00
_____	_____	.00

43. TOTAL MONTHLY SCHEDULED HOUSEHOLD EXPENSES *(Add Items 36 – 42)* _____ .00 ◀

**VI.
EXTRAORDINARY
EXPENSES**

Extraordinary expenses are limited to the four types shown in Items 44 – 47, as defined in the instructions. You **must** enclose supporting documentation for the amounts you indicate in this section. (See the booklet *TSP In-Service Withdrawals*.) Show only expenses that are **unpaid and unreimbursable** by insurance or otherwise.

- | | | |
|---|-------|-------|
| 44. Costs of household improvements needed for medical care | _____ | .00 |
| 45. Expenses resulting from personal casualty loss | _____ | .00 |
| 46. Legal expenses for separation/divorce (does not include court-ordered payments to a spouse or former spouse, or child support payments) | _____ | .00 |
| 47. Medical expenses | _____ | .00 |
| 48. TOTAL EXTRAORDINARY EXPENSES <i>(Add Items 44 – 47)</i> | _____ | .00 ◀ |

**VII.
YOUR
ACKNOWLEDGE-
MENT AND
CERTIFICATION**

The TSP will notify your agency that your employee contributions, if any, must be terminated after your withdrawal is paid. If you are a FERS employee, this means that Agency Matching Contributions will also stop. You may ask your agency to resume your contributions after 6 months.

The TSP may contact individuals or institutions shown on this form or in supporting documentation to confirm any amounts listed.

I agree to these conditions for a financial hardship withdrawal. I certify that I am not in Chapter 13 bankruptcy and that the information I have provided in this withdrawal request and supporting documentation is true to the best of my knowledge. **Warning:** Any intentional false statement in this application or willful misrepresentation concerning it is a violation of the law that is punishable by a fine of as much as \$10,000 or imprisonment for as long as 5 years, or both (18 U.S.C. 1001).

49. _____ Participant's Signature	50. _____ Date Signed (mm/dd/yyyy)
--------------------------------------	---------------------------------------

PRIVACY ACT NOTICE. We are authorized to request this information under 5 U.S.C. Chapter 84. Executive Order 9397 authorizes us to ask for your Social Security number, which will be used to identify your account. We will use the information you provide to process your in-service withdrawal request. This information may be shared with other Federal agencies for statistical, auditing, or archiving purposes. In addition, we may share the information with law enforcement agencies investigating a violation of civil or

criminal law, or agencies implementing a statute, rule, or order. It may be shared with congressional offices, private sector audit firms, spouses, former spouses, and beneficiaries. We may also disclose relevant portions of the information to appropriate parties engaged in litigation. You are not required by law to provide this information, but if you do not provide it, we will not be able to process your request.

Financial Hardship Worksheet

Complete this Worksheet to calculate the amount of your financial hardship. Refer to the Financial Statement and the Extraordinary Expenses sections (V and VI) of your Form TSP-76 for the **numbered items** in this Worksheet. The TSP will calculate the actual amount of the hardship withdrawal for which you qualify based on the information you provided in Sections V and VI (including the supporting documentation), your earnings and leave statement, and the value of your TSP employee contributions and attributable earnings.



TO DETERMINE YOUR HARDSHIP AMOUNT DUE TO NEGATIVE CASH FLOW:

A. Total monthly income: Complete calculation **I or II** below depending on your current pay status to determine ordinary monthly household expenses. For those in nonpay status, even though your current actual pay may be \$0, you must use your annual salary of record for the calculation.

I. If in Nonpay Status:

1. Annual salary of record from most recent earnings and leave statement _____
2. Divide Line 1 by 12 months _____
3. Item 23 _____
4. Item 34 _____
5. Add Lines 2, 3, and 4; enter result on Line A. _____

II. If in Pay Status:

1. Item 23 _____
2. Item 34 _____
3. Add Lines 1 and 2; enter result on Line A. _____

A

B. Allowance for ordinary monthly household expenses:

This covers ordinary monthly recurring expenses (e.g., food, clothing, household operations, entertainment, education, health insurance premiums, miscellaneous expenses), including expenses frequently charged to credit cards. The allowance is based on your monthly income and family size. Using the table, find the factor for your total monthly income (**Line A**) and your family size (**Item 22** of your Financial Statement). Enter that factor and multiply it by the amount of your total monthly income (**Line A**). Round to the nearest whole dollar.

Total Monthly Income

Family Size

	1 or 2	3 or 4	5 or more
Less than \$1,250	.85	.90	.90
\$1,250 – 1,666	.70	.80	.80
\$1,667 – 2,499	.60	.65	.70
\$2,500 – 3,332	.50	.55	.60
\$3,333 – 4,166	.40	.50	.50
\$4,167 – 5,832	.40	.45	.50
\$5,833 or more	.30	.35	.40

$$\text{Factor} \times \text{Line A} = \text{B}$$

C

C. Total monthly scheduled household expenses: Item 43.

D. Total monthly household expenses: Line B plus Line C.

$$\text{B} + \text{C} = \text{D}$$

E. Total net monthly income: Item 35.

E

F. Amount by which your household expenses exceed your net monthly income: Line D minus Line E (if Line D is less than Line E, enter 0).

$$\text{D} - \text{E} = \text{F}$$

G. Hardship amount due to negative cash flow: Line F times 6 months.

$$\text{Line F} \times 6 = \text{G}$$



TO DETERMINE YOUR HARDSHIP AMOUNT DUE TO EXTRAORDINARY EXPENSES:

H. Amount by which your net monthly income exceeds your household expenses: Line E minus Line D (if Line E is less than Line D, enter 0).

$$\text{E} - \text{D} = \text{H}$$

I. Positive cash flow available for extraordinary expenses: Line H times 6 months.

$$\text{Line H} \times 6 = \text{I}$$

J. Extraordinary expenses: Item 48.

J

K. Hardship amount due to extraordinary expenses: Line J minus Line I (if Line J is less than Line I, enter 0).

$$\text{J} - \text{I} = \text{K}$$



TO CALCULATE YOUR TOTAL HARDSHIP AMOUNT:

L. Hardship amount due to negative cash flow: Line G.

$$\text{G} = \text{L}$$

M. Hardship amount due to extraordinary expenses: Line K.

$$\text{K} = \text{M}$$

N. Line L plus Line M. The amount of your withdrawal request in Item 10 should not exceed this amount. If this amount is less than \$1,000, you do not qualify for a hardship withdrawal.



Important Tax Information About TSP In-Service Withdrawal Payments

Amounts paid to you from your Thrift Savings Plan (TSP) account are taxable income to you for Federal income tax purposes in the year in which payment is made. This notice summarizes the tax rules that apply to TSP in-service withdrawals, i.e., age-based (age 59½ or older) and financial hardship withdrawals. To see how this applies to your TSP payment, **read this notice carefully.**

We are required by law to provide you with this notice; however, because tax rules are complex, you may wish to consult a tax advisor before you make any decision.

1. Tax Withholding

Age-Based Withdrawals

Age-based in-service withdrawals are the only TSP payments made to participants before they separate from Federal service which are considered **eligible rollover distributions**, and the following Federal income tax withholding rules apply. (The TSP does not withhold amounts for state or local income tax.)

- The mandatory tax withholding on all eligible rollover distributions of \$200 or more paid in a single year is 20%. The 20% is tax withholding, not actual tax due; therefore, when you file your annual Federal income tax return, you may be entitled to a refund of a portion of this amount, or you may be required to pay an additional amount.
- You can avoid withholding on all or any portion of your eligible rollover distribution by asking the TSP to transfer that amount to an IRA (other than a “Roth” IRA) or other eligible retirement plan.¹ However, you **cannot** avoid the mandatory 20% withholding on any amount that you elect to receive directly, even if you then roll it over to an IRA or other eligible retirement plan. (*See Section 2 of this notice.*)
- You may elect to have an amount withheld in addition to the 20% withholding by completing Line 3 of IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments, and submitting it to the TSP Service Office along with your in-service withdrawal request. Line 1 and Line 2 are not valid elections for this type of payment.

¹ An “eligible retirement plan” is defined in section 402(c)(8) of the Internal Revenue Code. Generally, an eligible retirement plan is an Individual Retirement Account (IRA) or an individual retirement annuity (other than an endowment contract); a qualified pension, profit-sharing, or stock bonus plan; or an annuity plan described in section 403(a) of the Internal Revenue Code. The IRA or plan to which your account is transferred must be a trust established inside the United States (i.e., the 50 States and the District of Columbia).

Financial Hardship Withdrawals

A financial hardship in-service withdrawal is a **non-periodic payment** and cannot be transferred or rolled over to an IRA or other eligible retirement plan. The TSP will withhold 10% for Federal income tax from these payments unless the TSP Service Office receives from you IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments. If you submit Form W-4P, you may elect:

- to have no Federal income tax withheld, by completing Line 1 of Form W-4P; or
- to have an amount withheld in addition to the 10% by completing Line 3 of Form W-4P.

Note: Line 2 is not a valid election for this type of distribution.

2. Transferring or Rolling Over Your Age-Based In-Service Withdrawal

All or any part of your age-based in-service withdrawal can either be transferred or rolled over to an IRA (other than a “Roth” IRA) or other eligible retirement plan. This permits you to postpone paying tax on that amount until you withdraw the money from the IRA or plan.

A **transfer** occurs when you instruct the TSP to send all or part of your distribution directly to an IRA or other eligible retirement plan instead of issuing it to you. Mandatory 20% Federal income tax withholding does not apply to an amount that the TSP transfers directly to an IRA or other eligible retirement plan; **however, it does apply to any payment made to you, even if you then roll it over.**

A **rollover** occurs when the TSP makes a distribution to you (which includes the amount of the payment you receive plus the amount of tax withheld) and you deposit any part of that distribution into an IRA or other eligible retirement plan within 60 days of the date you receive it.

In deciding whether to choose a transfer or a rollover, you should consider the following:

- You must pay Federal income tax on any part of the payment that you do not transfer or roll over. (*See Section 4 of this notice.*)
- Because all eligible rollover distributions of \$200 or more made directly to you are subject to mandatory 20% withholding, you must pay Federal income tax on the amount withheld for taxes — even if you roll over the amount you receive — unless you deposit personal funds into your IRA or other plan equal to the amount withheld. (If you do this,

you may receive a refund of taxes withheld, but you cannot wait until you receive a refund of the withheld amount to complete a rollover.)

Therefore, if you do not want to use personal funds to make up the amount withheld, you should choose to have the TSP transfer your account to your IRA or other plan directly, instead of rolling it over to your IRA or other plan yourself.

Whether you choose a transfer or a rollover, the following rules apply:

You may transfer or roll over your payment into any IRA (other than a "Roth" IRA). However, if you want to roll it into the qualified plan of another employer at a later date, you should instruct the financial institution to establish a "conduit" IRA for you. Such an account can only contain amounts that are transferred or rolled over from a qualified plan; it cannot contain other contributions (whether deductible or nondeductible). IRAs containing other contributions cannot be rolled over into a plan maintained by another employer.

3. Tax Reporting

The TSP will report to the IRS all payments that are made directly to you as well as all transfers made to IRAs or other eligible retirement plans. We will also report TSP payments and transfers to the state in which your TSP account record shows you resided at the time payment was made, if that state has an income tax.

In January of the year that follows your payment, the TSP will send you IRS Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. **Be sure your agency keeps your TSP account address up to date so that you receive the form and other important information about your account.**

You should include the amount reported on Form 1099-R as income on your individual income tax return for the year in which payment was made. However, you should then exclude from the adjusted gross income on your return any amounts that were transferred or rolled over. Attach a copy of Form 1099-R to your Federal tax return.

4. Early Withdrawal Penalty Tax

Under the Internal Revenue Code, an early withdrawal penalty tax of 10% is imposed on the total amount of an in-service withdrawal payment that you receive directly from the TSP (including any tax withholding) **before you become age 59½**. Thus, if you request a financial hardship withdrawal and are younger than age 59½, the penalty tax will apply to you. The penalty tax is in addition to the ordinary income tax that you pay on TSP payments.

The early withdrawal penalty tax does not apply if you are age 59½ or older. It also does not apply to TSP distributions used for the payment of medical expenses which would be deductible under the Internal Revenue

Code. (See IRS Form 5329, *Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs*.)

5. Ten-Year Tax Option

If the payment you receive from the TSP qualifies as an **eligible lump sum distribution**, you may be able to lower the income tax you pay by using the **10-year tax option**.

An **eligible lump sum distribution** is one in which your total TSP account balance is distributed to you within one tax year (the calendar year for most taxpayers), regardless of whether this occurs in one or more payments. With the **10-year tax option**, your eligible lump sum distribution is taxed as if it were paid to you over 10 tax years.

The following rules apply to the 10-year tax option:

- The 10-year tax option is available only if you were age 50 before January 1, 1986.
- You must have been an **active participant** in the TSP for at least five years before the year in which your distribution is made. You are considered an active participant during a year if a contribution was made to your TSP account by either you or your agency during that year.
- You must use the 10-year tax option for all eligible lump sum distributions that you receive in the same tax year. This includes a withdrawal of your entire TSP account after separation and any taxable loan distribution. It also includes an eligible lump sum distribution from any other plan maintained by another employer (but excludes such distributions from IRAs).
- You can use the 10-year tax option only once in your lifetime. This means that if you use it in one tax year (e.g., for an age-based in-service withdrawal of your entire TSP account balance), you cannot use it for a distribution received from the TSP or another plan in any subsequent year.
- You must use the tax rates in effect in 1986.
- If you transfer or roll over all or any part of your distribution, you cannot use the 10-year tax option.

You can elect the 10-year tax option by filing IRS Form 4972, Tax on Lump Sum Distributions, with your annual income tax return.

6. TSP Service Office Information

If you have any questions regarding this notice, please contact the TSP Service Office at (504) 255-6000 (TDD: (504) 255-5113) or write to:

TSP Service Office
National Finance Center
P.O. Box 61500
New Orleans, LA 70161-1500